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IN THE

Supreme Court of the United States

October Term, 1949

No. 113

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

HUGHES TOOL COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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CHICAGO PNEUMATIC TOOL COMPANY,
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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Chicago Pneumatic Tool Company, respectfully prays for a writ of certiorari to the United State Court of Appeals for the Tenth Circuit to review the judgment of that Court entered February 1, 1950 (rehearing denied March 11, 1950), affirming the judgment of the District Court of the United States for the Western District of Oklahoma (Judge VAUGHT).

The transcript of the record in the case including proceedings in the Court of Appeals is furnished herewith in accordance with the rules of the Court.

Summary and Short Statement of the Subject Matter Involved.

1. The Court below affirmed an interlocutory judgment granting an injunction restraining petitioner from further prosecution of Civil Action 1206 instituted by it against respondent in the United States District Court for the District of Delaware, until further order of the Court (R. 62), and denying petitioner's motion to modify said injunction (R. 206). The modification requested was that the words—

> "or any other action involving the same subject matter"

be removed from the injunction (R. 205). The added words have the effect of enjoining petitioner from seeking to reopen an earlier case between the parties (Civil Action 463 in Delaware).

2. There are two companies by the name of Chicago Pneumatic Tool Company. One is a corporation of New Jersey. It is the parent company and is a manufacturer. It will be referred to herein as Pneumatic (N. J.). The other, a Massachusetts corporation, is the petitioner herein and sells products made by its parent (R. 130). It will be referred to herein as Pneumatic (Mass.). Respondent will be referred to herein as Hughes. The Court below used these designations.

3. The parties are both in the business of marketing rock bits used in drilling oil wells. They have been competitors in this business for over twenty years and for most of the time since 1933 have been involved in patent litigation with one another on Hughes' patents (R. 121, 136, 168).

4. In 1935, 1939 and 1942, Hughes charged Chicago Pneumatic with infringement of patents on which it had

not previously sued Chicago Pneumatic. In the summer of 1944 Hughes leased two Type E bits (the latest type) from Chicago Pneumatic in Illinois (R. 27, No. 7; R. 30, Ex. 1). One was leased on July 20th and the other on August 11th.

5. It then became unmistakably clear that Hughes had decided to sue Chicago Pneumatic in the Tenth Circuit for patent infringement. For that purpose the manager of Hughes' Oklahoma City office, on August 22, 1944, attempted to purchase or lease a Chicago Pneumatic Type E bit in Oklahoma City. Upon being informed that delivery would be made in Illinois, he refused to accept such delivery on the ground that he was under instructions from headquarters to purchase the bit in the Tenth Circuit (R. 27, No. 8).

6. Both Chicago Pneumatic companies then, on August 24, 1944, filed in the District Court for the District of Delaware, Hughes' state of incorporation, a suit for declaratory judgment of invalidity of several Hughes patents including the four here in suit and non-infringement thereof by Chicago Pneumatic's Types G, K and E rock bits. That was Civil Action No. 463 (R. 27, No. 7; R. 165, 184-199).

7. Hughes secured a dismissal of that suit on motion for summary judgment by asserting and representing to the Court that there was no controversy between the parties as to those patents (R. 29-30; 61 F. S. 771, D. C. Del.). This was affirmed on appeal on August 26, 1946 and certiorari denied November 18, 1946 (156 F. (2d) 981, C. C. A. 3; cert. den. 329 U. S. 781).

8. On July 19, 1947, promptly after the term of the Supreme Court had expired, Hughes sued Pneumatic (Mass.) in this case for infringement of the same four patents by the same three types of bits in the District Court for the Western District of Oklahoma (R. 1; R. 28, No. 11; R. 30,

No. 15; R. 65, Nos. 5, 6; R. 71, Nos. 2, 5, 6). Judge VAUGHT, before whom the trial was heard since the appeal from his injunction was filed, and the Court below, had previously held three of the patents valid and infringed, *Williams Iron Works* v. *Hughes Tool Co.*, 109 F. (2d) 500, C. C. A. 10 (1940). (On May 18, 1950, he filed an opinion holding all four patents valid on the authority of that and other cases on the same patents. The opinion, implying infringement, adopted the findings proposed by Hughes that the Type E rock bits contain "each of the elements or mechanical equivalents thereof" of each claim in suit of all four patents. A copy of his opinion is printed in the appendix hereto.)

9. Pneumatic (Mass.) then moved for a transfer of this suit to Delaware (R. 19). This was denied by Judge VAUGHT without giving his reasons (R. 35, 91). The primary objection to transfer advanced by Hughes was that the suit could not have been brought in Delaware (R. 55, 59) because Pneumatic (Mass.) does no business in Delaware.

10. Pneumatic (Mass.) then removed this objection by filing a second declaratory judgment suit against Hughes in Delaware on the same four patents (R. 38, No. 6; R. 39). This is Civil Action No. 1206.

11. Hughes then obtained from Judge VAUGHT in this case the injunction appealed from, restraining prosecution of the second declaratory judgment suit, No. 1206, "or any other action involving the same subject matter", until further order of the Court (R. 62).

12. The Court below affirmed Judge VAUGHT on appeal from the injunction (R. 209, 229).

13. The patents involved are the same four patents involved in the case now before this Court on petition for rehearing of denial of writ of certiorari in No. 486, *Robertson Rock Bit Co.* v. *Hughes Tool Co.*

Statement of Jurisdiction.

This Court is believed to have jurisdiction to review the judgment below under the provisions of 28 U. S. C. 1254 and 2101(c). The judgment below was entered February 1, 1950 (R. 216) and rehearing was denied March 11, 1950 (R. 229).

The Questions Presented.

1. May a patent owner restrict litigation on his patents to a circuit in which they have previously been held valid, by procuring the dismissal of a declaratory judgment suit brought against him by petitioner in another circuit on the assertion that there is no controversy, and promptly thereafter filing a patent infringement suit against petitioner on the same patents in the desired circuit?

2. May a defendant in a declaratory judgment patent suit procure a dismissal of the suit on his assertion there is no controversy, and thereafter recover for patent infringement occurring with his knowledge in the period before or during the pendency of the declaratory judgment suit?

3. Where an alleged infringer (petitioner) files a declaratory judgment suit against a patent owner (respondent) in one circuit, respondent procures the dismissal of the suit by asserting that there is no controversy and promptly thereafter files suit against petitioner for infringement of the same patents in another circuit where they had previously been held valid, and petitioner then files a second declaratory judgment suit on the same patents in the first circuit, should the prosecution of the second declaratory judgment suit, or reopening of the first one, be enjoined?

Reasons Relied On for the Allowance of the Writ.

1. The Court below has decided an important question of Federal law which has not been, but should be, settled by this Court.

2. The Court below has rendered a decision in conflict with the decisions of other Circuit Courts of Appeals.

WHEREFORE your petitioner prays that a writ of certiorari issue out of and under the seal of this Court directed to the United States Court of Appeals for the Tenth Circuit; and that this Court review and correct the erroneous decision of that Court.

Respectfully submitted,

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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The District Court made no findings of fact and wrote no opinion.

The opinion of the Court of Appeals appears at R. 209 and is reported at 84 U. S. P. Q. 213 and 180 F. (2d) 97.

Statement of Jurisdiction.

This Court is believed to have jurisdiction to review the judgment below under the provisions of 28 U. S. C. 1254 and 2101(c). The judgment below was entered February 1, 1950 (R. 216) and rehearing denied March 11, 1950 (R. 229).

Statement of the Case.

It is believed that the facts are adequately set forth in the petition at pages 2 to 4 herein.

Specification of Errors.

The errors which petitioner will urge if this petition is granted are that the Court of Appeals erred in affirming the judgment of the District Court, and in failing to answer all three questions presented in the negative (see p. 5).

Summary of Argument.

The argument will follow the reasons relied on for allowance of the writ as stated on page 5 hereof and in the index.

POINT I.

The Court below has decided an important question of Federal law which has not been, but should be, settled by this Court.

As long ago as 1892, in the case of *Pope* v. *Gormully*, 144 U. S. 224, this Court said:

> "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly; * * * "

and as recently as 1947, in the case of *Katzinger* v. *Chicago Metallic Mfg. Co.*, 329 U. S. 394, this Court said at page 400:

> "In thus emphasizing the necessity of protecting our competitive economy by keeping open the way for interested persons to challenge the validity of patents which might be shown to be invalid, the Court was but stating an often expressed policy that 'It is the public interest which is dominant in the patent system', Mercoid Corp. v. Mid-Continent Investment Co., 320 U. S. 661, 665, 88 L. Ed. 376, 380, 64 S. Ct. 268 and that the right to challenge 'is not only a private right to the individual, but it is founded on public policy which is promoted by his making the defense, and contravened by his refusal to make it.' Pope Mfg. v. Gormully, 144 U. S. 224, 36 L. Ed. 414, 418, 12 S. Ct. 632."

The public importance of keeping open the way for a challenge to the validity of patents was also recognized by Congress by permitting an appeal to this Court in every patent case until 1891. In recent years, despite the increasing volume of all litigation, this Court has repeatedly granted certiorari in patent cases where conflict between circuits was unlikely due to concentration of the industry in a single circuit, *Schriber-Schroth* v. *Cleveland Trust Com-*

pany, 305 U. S. 47, 50 (1938). It has even granted certiorari because of the concentration of an industry in the 7th Circuit where the patent in suit had previously been held valid in both the 6th and 7th Circuits. *Outboard Marine & Motor* v. *Muncie Gear Works,* 315 U. S. 759 (1942).

It is therefore clear that sound public policy requires that whenever a way is devised for restricting litigation on a patent to a single circuit, a remedy should be provided to restore the proper distribution of patent litigation.

Under Point II we will show that it is the law of eight circuits, with which the decision below is in conflict, that a declaratory judgment suit should take precedence over a later filed patent infringement suit between the same parties on the same patents and that prosecution of the later suit should be enjoined in order to accomplish this. While this Court has not passed directly on that question in a patent case, so far as we have been able to discover, it has repeatedly denied certiorari in the cases which established that law.

The scheme, sanctioned below, for restricting litigation to a circuit in which the patents had previously been held valid, represents a procedural device previously untried (or at least not previously successful) and therefore one which has not been passed upon by this Court. The Court below, instead of restraining a later filed patent infringement suit, restrained further action in an earlier filed declaratory judgment suit as well as in a later filed renewal of that suit, simply because the patent owner was able to get the first suit dismissed by playing possum.

Unless this scheme is stopped in its inception it may well result in such a restriction of litigation on each patent to a single circuit that this Court may find it necessary to grant certiorari in practically every patent case because of the lack of likelihood of litigation in more than one circuit.

That would increase the work of this Court enormously. Such increase may be avoided by taking action at this stage of this case.

The possibility for a patent owner to restrict litigation to a single circuit has already been increased by the new transfer statute, 28 U. S. C. 1404(a). That statute provides:

> "(a) For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

A company may always be set up to hold a patent, whose business is restricted to a single circuit.

Unless the lower courts and particularly the District Courts learn that it is in the "interest of justice" in the promotion of sound public policy for patent litigation upon any one patent not be concentrated in a single Circuit, it may soon be true that no patent once held valid is ever thereafter litigated in a different Circuit.

A glaring example of what can be done to avoid conflict between circuits is provided by this case.

One of the Hughes patents involved in the present suit, namely, Fletcher No. 1,856,627, was first held valid in the Northern District of Texas, Ft. Worth Division, on January 14, 1939 in a case of *Hughes Tool Company* v. *United Machine Company,* 35 F. S. 879. No appeal was taken from that decision.

The patent was next held valid by Judge VAUGHT in the Western District of Oklahoma in the case of *Hughes Tool Company* v. *Williams Iron Works* (District Court opinion unreported), which was affirmed on appeal on January 13, 1940 at 109 F. (2d) 500 (C. C. A. 10).

The patent was next sued upon, and held not infringed in the Northern District of Texas, Abilene Division, on

June 30, 1941 in the case of *Hughes Tool Company* v. *Owen, et al.*, 39 F. S. 656. However, in that case, validity was not challenged. The case was reversed on appeal as to infringement at 123 F. (2d) 950 (C. C. A. 5, 1941), validity not being in issue on the appeal.

The patent was next held valid in the Northern District of Texas, Wichita Falls Division, on November 19, 1948 in the case of *Robertson Rock Bit Co.* v. *Hughes Tool Co.*, at 80 F. S. 809.

The patent was next held valid by Judge VAUGHT in the Western District of Oklahoma in *Hughes Tool Company* v. *Williams*, 82 F. S. 408, February 3, 1949. (The Court of Appeals for the Tenth Circuit has announced through its Clerk that it has decided to hold the patent valid on appeal in that case, although no decision or opinion has yet been filed.)

On appeal in the *Robertson Rock Bit* case the Fletcher patent was **withdrawn rather than risk a decision on its validity by the Fifth Circuit Court of Appeals**, 176 F. (2d) 783, 792 (C. A. 5, September 27, 1949—Judge SIBLEY's dissenting opinion—page 340, Vol. I, of record now before this Court in No. 486).

Despite this withdrawal in the Fifth Circuit Court of Appeals, the patent has been the subject of four more suits (now pending) in Oklahoma as follows, all filed on May 3, 1949:

Hughes Tool Company v. *D. B. Cole*, C. A. 4370, W. D. Okla., 623 O. G. 321;

Hughes Tool Company v. *B. F. Conaghan*, C. A. 4374, W. D. Okla., 623 O. G. 321;

Hughes Tool Company v. *R. W. Ford*, C. A. 2537, E. D. Okla., 623 O. G. 321;

Hughes Tool Company v. *B. F. Shedd*, C. A. 2538, E. D. Okla., 623 O. G. 321.

Thus, while the patent has been sued on ten times in Texas and Oklahoma (including the present suit), and twice in declaratory judgment suits in Delaware (No. 463 and 1206), its validity has never been before any Court of Appeals except that for the Tenth Circuit, in which Circuit Hughes now fights desperately (and thus far successfully) to retain the present suit. By playing possum in the Third Circuit against Chicago Pneumatic, by playing jackrabbit against Robertson Rock Bit in the Fifth Circuit, and by suing in Texas other defendants who conceded validity or failed to appeal, Hughes has successfully sheltered the patent while using it effectively.

This Court should now make it clear that a patent owner who threatens suit and retracts his charge of infringement to secure the dismissal of a declaratory judgment suit, will be held to his retraction. Hughes should be *required* to face the tribunals of the Third Circuit to whom it represented that there was no controversy.

POINT II.

The Court below has rendered a decision in conflict with the decisions of other Circuit Courts of Appeals.

The Seventh and Third Circuit Courts of Appeals in patent cases, and the First and Second Circuit and District of Columbia Courts of Appeals in trade-mark cases, have expressly held that it is the duty of the District Court in which an action is filed to restrain the prosecution of a suit subsequently filed by the defendant against the plaintiff in another jurisdiction on the same subject matter. In the Seventh and Third Circuits, the first filed suit was a declaratory judgment patent suit and the one later filed was a patent infringement suit on the same patents.

Milwaukee Gas Specialty Co. v. *Mercoid Corporation,* 104 F. (2d) 589, C. C. A. 7, April 28, 1939, rehearing denied June 8, 1939;

Crosley Corporation v. *Hazeltine Corporation,* 122 F. (2d) 925, C. C. A. 3, September 11, 1941, rehearing denied October 30, 1941, certiorari denied 315 U. S. 813;

Triangle Conduit & Cable Company v. *National Electric Products Corp.,* 125 F. (2d) 1008, C. C. A. 3, 1942, certiorari denied 316 U. S. 676;

Crosley Corporation v. *Westinghouse Elec. & Mfg. Corp.,* 130 F. (2d) 474, C. C. A. 3, July 31, 1942, certiorari denied 317 U. S. 681;

Cresta Blanca Wine Company, Inc. v. *Eastern Wine Corporation,* 143 F. (2d) 1012, C. C. A. 2, 1944;

Speed Products Co. v. *Tinnerman Products,* 171 F. (2d) 727, C. A. D. C., May 18, 1948.

In deciding the declaratory judgment patent cases, the courts cited and followed earlier cases in the Fourth and Fifth Circuit Courts of Appeals which were not patent cases but involved similar conflicts of venue.

Berliner Gramophone Co. v. *Seaman,* 113 F. 750, C. C. A. 4, 1902; certiorari dismissed 187 U. S. 646;

Georgia Power Co. v. *Tennessee Valley Authority,* 89 F. (2d) 218, C. C. A. 5, 1937; certiorari denied 302 U. S. 692;

The First and Tenth Circuit Courts of Appeals have subsequently cited and followed the declaratory judgment patent cases in similar cases which did not involve patents.

Dwinell-Wright Co. v. *National Fruit Products Company Inc.*, 129 F. (2d) 848, C. C. A. 1, 1942;

Franklin Life Insurance Co. v. *Johnson*, 157 F. (2d) 653, C. C. A. 10, December 20, 1946, rehearing denied October 17, 1946;

The two *Crosley* cases in the Third Circuit are of particular interest here.

These ten cases establish the law of eight circuits, as to which law this Court has repeatedly denied certiorari, that a first filed declaratory judgment patent suit should take precedence over a subsequent patent infringement suit, and that the refusal to enjoin such subsequent suit is an abuse of judicial discretion.

The decision below is in direct conflict with these cases although the conflict is not recognized, and none of the cases is cited, in the Court's opinion. Under those cases it is the present case in Oklahoma the prosecution of which would be enjoined.

At the time the present suit in Oklahoma was instituted by Hughes, Federal Rule 60 provided for relief against judgments on the grounds of newly discovered evidence within six months. The mandate affirming the dismissal of the Delaware declaratory judgment action (No. 463) was returned on November 25, 1946. The six months period during which relief could have been granted in Delaware on account of newly discovered evidence expired May 25, 1947. The present suit would have been conclusive evidence that there was a case of controversy in Delaware, and warranted reopening the Delaware case, had it been filed prior to May 25, 1947 (*Bliss* v. *Cold Metal Process Co.*, 102 F. (2d) 105 (C. C. A. 6, 1939)). The record shows that Hughes postponed bringing the action in Oklahoma which contradicted

its representation that there was no controversy, until the time limit for reopening the Delaware action had expired and the Supreme Court had adjourned. The present suit was filed in Oklahoma July 19, 1947.

Thus by waiting seven weeks (from May 25 to July 19, 1947) to file suit Hughes was able to maintain a suit that would necessarily have been enjoined under all these authorities if filed seven weeks earlier. The controversy did not arise in that seven weeks. This time interval did not change Hughes' rights. Indeed, Hughes *now* asserts, and Judge VAUGHT on May 18, 1950 held (see Appendix) that bits in Hughes' possession in 1944 before the first declaratory judgment suit was filed, infringe its patents—that is, that there *was* a controversy all along. There is therefore a direct conflict with the cases cited above.

It is important that the courts recognize this conflict and follow the earlier cases rather than follow the Court below in sanctioning this procedural machination.

Failure to correct the decision below will result in a nullification or substantial impairment of the declaratory judgment act, particularly in its salutary effect in curbing patent "rackets". As was said in 1940 by the Second Circuit Court of Appeals in the case of *Lances, et al.* v. *Letz,* 115 Fed. (2d) 916, at page 917:

> "We believe it a fair interpretation of the remedial provisions of the declaratory judgment statute, 28 U. S. C. A. § 400, and of Federal Rule of Civil Procedure 57, 28 U. S. C. A. following section 723c, that one cannot so brashly initiate a controversy by such extensive threats of litigation as were here involved and then avoid the risk of judicial adjudication by mere non-action. One of the situations where the declaratory judgment is most helpful is that of patent litigation where a threat of suit for infringe-

> ment has been made and not pressed for the attention of a court. 'This has had a most beneficial effect in curing what had become a racket. For patentees, none too sure of the validity of their patents, had often notified customers or licensees of their rivals or competitors of their intention to bring suit against all who dealt in the product in question.' Borchard, Declaratory Judgments, 9 Brooklyn L. Rev. 1, 30, 1939; cf. Leach v. Ross Heater & Mfg. Co., 2 Cir., 104 F. 2d 88, 91; E. I. Du Pont De Nemours & Co. v. Byrnes, 2 Cir., 101 F. 2d 14; Zenie Bros. v. Miskend, D. C. S. D. N. Y., 10 F. Supp. 779; Mitchell & Weber, Inc. v. Williamsbridge Mills, D. C. S. D. N. Y., 14 F. Supp. 954; 45 Yale L. J. 160, 1935, 1287, 1936."

And at page 918:

> "We think the time has come when this lady must either repudiate her original claims or consent to an adjudication of them."

The decision below is in direct conflict with this case as well as the others cited. The Court below failed to enforce a repudiation.

The Scope of Review.

The primary question this case will present if certiorari is granted is whether the tactics practiced by Hughes should be sanctioned, or whether Hughes should be required to face the tribunals of the Third Circuit, where suit was first filed at a time when Hughes now asserts there *was* a controversy. It has been repeatedly held that on an interlocutory appeal from an injunction the Appellate Court is not limited in the scope of its decision to the limits of the precise question before it, but may consider the case as a whole and decide the real issues present.

In the case of *Mecanno* v. *Wanamaker*, 253 U. S. 136 (1920), the Supreme Court said at pages 140-141:

> "The power of circuit courts of appeals to review preliminary orders granting injunctions arises from § 129, Judicial Code, which has been often considered. Smith v. Vulcan Iron Works, 165 U. S. 518, 41 L. Ed. 810, 17 Sup. Ct. Rep. 407; Mast, F. & Co. v. Stover Mfg. Co., 177 U. S. 485, 494, 44 L. Ed. 856, 860, 20 Sup. Ct. Rep. 708; Harriman v. Northern Securities Co., supra; United States Fidelity & G. Co. v. Bray, 225 U. S. 205, 214, 56 L. Ed. 1055, 1061, 32 Sup. Ct. Rep. 620; Denver v. New York Trust Co., supra. This power is not limited to mere consideration of, and action upon, the order appealed from; but, if insuperable objection to maintaining the bill clearly appears, it may be dismissed and the litigation terminated."

On certiorari this Court may therefore hold that the injunction should be removed, that the case should go back to Delaware, where jurisdiction was first acquired, and that proceedings in, and enforcement of the decision of, this case in Oklahoma should be stayed pending further proceedings in Delaware; and may instruct the lower courts accordingly.

Conclusion.

It is accordingly prayed that the petition for writ of certiorari be granted and the judgment below reviewed and reversed.

Respectfully submitted,

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June 3, 1950.

APPENDIX.

Judge Vaught's Opinion Following Trial, Filed May 18, 1950.

IN THE

UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF OKLAHOMA

HUGHES TOOL COMPANY, *Plaintiff*, v. CHICAGO PNEUMATIC TOOL COMPANY, *Defendant*.	No. 3685–Civil.

Opinion.

The plaintiff filed its complaint alleging that it is the owner of four patents and that the defendant is infringing them, and seeks to enjoin further infringement of them and to recover damages sustained, together with its costs and reasonable attorneys' fees, and for such other relief as to the court may appear proper.

Specifically it alleges that it is the owner of (1) United States Letters Patent No. 1,856,627 issued on May 3, 1932, for an invention on drill cutters; (2) United States Letters Patent No. 1,983,316 issued on December 4, 1934, for an invention on a three cone bit; (3) United States Letters Patent No. 2,011,084 issued on August 13, 1935, for an invention in mounting for drill cutters; and (4) United States Letters Patent No. 2,030,442 issued on February 11, 1936, for an

invention in a roller bearing bit. It contends that the defendant is infringing each of said letters patent by selling, in this district and elsewhere, rotary drill bits embodying and containing each of the inventions patented in said letters patent, and will continue to do so unless enjoined and restrained by the court, more particularly the rotary drill bits being sold by the defendant embodying and containing Claims 1, 2 and 3 of Patent No. 1,856,627; Claims 1, 2 and 3 of Patent No. 1,983,316; Claims 1, 2 and 3 of Patent No. 2,011,084; and Claims 4, 6, 8, 12, 13, 14 and 15 of Patent No. 2,030,442.

The defendant filed its answer and counterclaim denying the alleged infringement and that the court has jurisdiction of the person of the defendant or the subject matter. It admits the issuance of the letters patent enumerated in the complaint but denies that the plaintiff owns the same. It alleges that the claims are invalid, that the plaintiff has misused the patents, and that the plaintiff is estopped from asserting its claims, setting forth in detail the reasons therefor. It further alleges estoppel by laches.

In its counterclaim and amendment thereto, the defendant alleges that it is the owner of (1) United States Letters Patent No. 1,997,345 issued on April 9, 1935, for an invention in a roller cutter assembly for earth boring drills; (2) United States Letters Patent No. 1,835,523 issued on December 8, 1931, for an invention by Clarence E. Reed in an earth boring drill; (3) United States Letters Patent No. 1,865,706 issued on July 5, 1932, for an invention by Clarence E. Reed in an earth boring drill; (4) United States Letters Patent No. 2,047,110 issued on July 7, 1936, for an invention by Clarence E. Reed in an earth boring apparatus; (5) United States Letters Patent No. 2,058,624 issued on October 27, 1936, for an invention by Clarence E. Reed in a roller cutter drill; and (6) United States Letters Pat-

ent No. 2,065,742 issued on December 29, 1936, for an invention by Clarence E. Reed in a roller cutter spindle and bearing assembly for earth boring drills. It contends that the plaintiff is infringing the letters patent by selling or leasing, in this district and elsewhere, rotary drill bits embodying and containing each of the inventions covered by said six letters patent, more particularly Claims 1, 3 and 6 of Patent No. 1,835,523; Claims 2, 13, 15, 16, 17 and 18 of Patent No. 1,865,702; Claims 35, 36, 37 and 42 of Patent No. 2,047,110; Claims 1, 2, 3, 4, 8, 9, 10, 11 and 12 of Patent No. 2,058,624; and Claims 5 and 7 of Patent No. 2,065,742. It prays for injunctive relief, damages, an accounting of profits, together with costs and reasonable attorneys' fees, and such other relief as to the court may seem just.

The plaintiff filed its reply to defendant's counterclaim denying the infringement alleged therein. It admits the issuance of the six letters patent but denies that defendant owns all of said patents set forth in its counterclaim. It alleges that the claims said to be infringed are invalid, setting forth the reasons therefor.

The record is voluminous. Most of the witnesses were experts in mechanical engineering and the exhibits are plans and drawings, of a technical nature, of devices upon which United States Letters Patent have been issued. It is a difficult task for the lay mind to attempt to comprehend the full import of the testimony of experts in such situations, and particularly, when the experts themselves do not agree. Thus we resort to the common rules for weighing evidence. Consideration must be given the demeanor of the witness on the stand, his manner of testifying, his interest or lack of interest in the outcome of the case, his candor or lack of candor, and if he is an expert his education and background, his experience or lack of experience in the particular field about which he testifies,

and from all the facts and circumstances, reach a proper conclusion.

The devices under consideration and upon which letters patent have been issued have to do with hard substance drilling bits used in rotary rigs in drilling oil wells.

The plaintiff claims the defendant is infringing four patents: Claims 1, 2 and 3 of No. 1,856,627, the "Fletcher Patent"; Claims 1, 2 and 3 of No. 1,983,316, the "Scott-Garfield Patent"; Claims 1, 2 and 3 of No. 2,011,084, the "Scott Patent"; and Claims 4, 6, 8, 12, 13, 14 and 15 of No. 2,030,442, the "Garfield and Scott Patent". All of these patents have been the subject of litigation in one phase or another, and in some court each patent and the claims involved here have been found to be valid. In Hughes Tool Company v. United Machine Company, et al., 35 F. Supp. 879 (D. C. Tex. 1939), Claims 1, 2 and 3 of No. 1,856,627 and Claims 7 to 15, inclusive of No. 2,030,442, were held valid; in Williams Iron Works Company v. Hughes Tool Company, 109 F. 2d 500 (10 Cir. 1940), Claims 1, 2 and 3 of No. 1,856,627 and Claims 1 to 15, inclusive, of No. 2,030,442, were held valid; in Robertson Rock Bit Company, Inc., et al. v. Hughes Tool Company, 176 F. 2d 783 (5 Cir. 1949), Claims 1, 2 and 3 of No. 1,983,316, Claims 1, 2 and 3 of Patent No. 2,011,084, and Claims 4, 6, 8, 12, 13, 14 and 15 of No. 2,030,442, were held to be valid; and in Hughes Tool Company v. Williams, 82 F. Supp. 408 (D. C. Okl. 1949), Patents No. 1,856,627 and No. 1,983,316 were under attack and were held valid.

The opinions in the cases above cited support the conclusion of this court that all the questions of any importance that are raised by the defendant here as to the validity of these patents have been judicially determined. And while this court is not foreclosed by these decisions, they are at

least very persuasive, and we are constrained to hold that the patents and the claims involved are each and all valid, and that the titles to said patents are vested in the plaintiff.

The defendant contends that the plaintiff is estopped to assert infringement of the patents set up in the complaint, and in its brief and argument of counsel devotes considerable time to that phase of the defense. The Court has given careful and lengthy consideration to the argument of defendant's counsel, together with the portions of the record and the authorities cited, which they contend uphold their theory of this defense. Without going into tedious detail, the court is of the opinion that the defense is wholly without merit. We find nothing misleading or deceptive, upon which the defense of estoppel could be reasonably based. The defendant claims that in its reliance upon the dismissal secured by the plaintiff of a suit between the parties filed in Delaware, in which it asserts the plaintiff "unequivocally renounced any claim of infringement", it expended "over $400,000 expanding its facilities for the manufacture of rock bits". We find nothing in the record that would justify that defense.

Since the trial of this cause, in the two cases of Chicago Pneumatic Tool Company v. Hughes Tool Company, 180 F. 2d 97, 101 (10 Cir.), decided February 1, 1950, the court held adversely to the contentions of the defendant with reference to the misrepresentation and deception claimed by the defendant, upon which it bases its defense of estoppel here. The opinion stated:

> "We find nothing in the record to support a charge of deception or misrepresentation. There may have been a renunciation as to infringements prior to 1944 of bits G and K, but since, in the instant suit, no charge of infringement of those bits is any longer involved, that issue is non-existent."

The defendant contends that the plaintiff is estopped from maintaining any infringement action on the patents set out in its complaint because of "unclean hands" due to the misuse of the patents as alleged in its answer. The court has carefully considered the evidence introduced to support these contentions, and without attempting to go into detail, finds generally that the matters and things complained of do not constitute misuse of the patents of the plaintiff or the defense of "unclean hands" within the purview of the law. One of the contentions of misuse relied upon by the defendant is the system employed by the plaintiff in distributing its rotary bits to the users of such devices covered by the patents. The defendant claims that the leasing of the bits amounts to an outright sale. This is not a new contention in this court, nor in other courts, concerning this phase of the case, and the courts have consistently held that the lease agreement of the plaintiff in the distribution of its bits does not amount to a sale, but is a valid lease agreement. See Hughes Tool Company v. United Machine Company et al., supra (35 F. Supp. 879, D. C. Tex. 1939); Hughes Tool Company v. Owen et al., 123 F. 2d 950 (5 Cir. 1941); Hughes Tool Company v. Robertson Rock Bit Co., Inc., et al., 80 F. Supp. 809 (D. C. Tex. 1948); and Robertson Rock Bit Co., Inc., et al. v. Hughes Tool Company, supra (176 F. 2d 783, 5 Cir. 1949). Neither do we find that the plaintiff is guilty of laches, as contended by the defendant.

As to the counterclaim of the defendant in which it alleges that six of its patents are infringed by the plaintiff. The complaint was filed July 19, 1947; the answer and counterclaim of the defendant was filed January 13, 1948. In the original counterclaim the defendant alleged infringement of one patent only, Letters Patent No. 1,997,345 issued to Clarence E. Reed, of Wichita, Kansas, on April 9, 1935, for

an invention in a roller cutter assembly for earth boring drills. The amendment to the counterclaim, filed on April 12, 1948, alleged infringement of five additional patents: No. 1,835,523, No. 1,865,706, No. 2,047,110, No. 2,058,624, and No. 2,065,742. It filed an amendment to paragraph 6 of its answer on January 24, 1949 and on May 20, 1949, filed an amendment of the prayer in the pleading.

In the plaintiff's proposed findings of fact and conclusions of law, No. 33 reads as follows:

> "Subsequent to the filing of the complaint herein, the defendant acquired title to Reed patents No. 1,865,706, No. 1,997,345, No. 2,047,110, No. 2,058,624 and No. 2,065,742 for the purpose of asserting them in its counterclaim in this cause."

The defendant, in its memorandum re plaintiff's proposed findings of fact and conclusions of law, agrees that this finding is true. Thus it appears that at the time this cause was filed, the only patent involved here that the defendant claimed to own was No. 1,835,523. Under these circumstances the court is not seriously impressed with the position of the defendant in asserting these claims. However, we have carefully considered the evidence offered in support of the defendant's counterclaim, together with the authorities cited in support thereof. Without going into detail, the court is of the opinion that the evidence does not show infringement by the plaintiff of the six patents enumerated in the counterclaim of the defendant, for the reasons set forth in the findings of fact and conclusions of law filed herewith. It is the opinion of the court that the defendant is not entitled to the relief sought in its counterclaim.

The findings of fact, except No. 35, and the conclusions of law, except No. 7, submitted by the plaintiff are hereby approved and made the findings and conclusions of this court. A form of judgment, consistent with this opinion and the findings of fact and conclusions of law herein approved, may be submitted within thirty days from this date.

EDGAR S. VAUGHT
United States District Judge

Dated this 18th day of May, 1950.